

Message Text

LIMITED OFFICIAL USE

PAGE 01 CARACA 04672 232315Z

70

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 CEA-02 CIEP-02 COME-00 EB-11 FEA-02

FPC-01 INT-08 OMB-01 SAM-01 SCI-06 STR-08 TRSE-00

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01 /186 W

----- 018544

R 232036Z MAY 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3943

LIMITED OFFICIAL USE CARACAS 4672

E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: COPEI DEPUTY ATTACKS OIL COMPANY BEHAVIOR UNDER
REVERSION LAW

1. IN COURSE OF DEBATE MAY 20 IN CONGRESS ON ANOTHER SUBJECT, COPEI DEPUTY ABDON VIVAS TERAN CHARGED THAT OIL COMPANIES ARE DOING DECEITFUL THINGS WITH GUARANTEE FUND ESTABLISHED UNDER REVERSION LAW AND THAT THEY ARE MANEUVERING USING CONVEYANCES. ITEM WAS PICKED UP AND HEADLINED BY PRESS AND HAS NOW BECOME SUBJECT OF CONSIDERABLE CONTROVERSY.
2. MINISTRY OF MINES AND HYDROCARBONS ISSUED STATEMENT SAYING THEY HAD CONTACTED DEPUTY AND HAD FOUND HE HAD BEEN MISQUOTED. SITUATION HE REFERRED TO, MINISTRY SAID, TOOK PLACE SEVERAL MONTHS AGO.
3. DEPUTY VIVAS TERAN ISSUED STATEMENT MAY 22, DENOUNCING MINISTRY FOR ISSUING STATEMENTS IN HIS NAME AND DENYING THAT HE WAS MISQUOTED. DEPUTY VIVAS TERAN SAID THAT OIL COMPANIES ARE UNDERTAKING MANEUVERS USING DEPRECIATION, AMORTIZATION,

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CARACA 04672 232315Z

AND DEPLETION IN ORDER TO DIMINISH QUANTITY OF MONEY THEY MUST

DEPOSIT IN GUARANTEE FUND. (NOTE: ARTICLE 6 OF REVERSION LAW REQUIRES COMPANIES TO DEPOSIT AMOUNT EQUAL TO 10 PERCENT OF THEIR ANNUAL DEPRECIATION.)

4. A VICE PRESIDENT OF SHELL OIL VENEZUELA HAS NOW ISSUED STATEMENT CALLING UPON DEPUTY VIVAS TERAN TO RETRACT HIS CHARGES OR TO PRESENT CONCRETE EVIDENCE. HE OBSERVED THAT GUARANTEE FUND IS ADMINISTERED LOCALLY BY VENEZUELAN TECHNICIANS, SOME OF WHOM REPRESENT OIL COMPANIES, AND IN WHOM PRESIDENT OF REPUBLIC HAS DEMONSTRATED HIS CONFIDENCE.

5. COMMENT: PRESUMABLY THIS CONTROVERSY, LIKE MANY OTHERS OF ITS KIND, WILL DIE DOWN AND BE FORGOTTEN WITHIN A FEW DAYS, UNLESS DEPUTY VIVAS TERAN IS ABLE TO COME FORWARD WITH CONCRETE EXAMPLES OF WRONGDOING. HOWEVER, THERE ARE OTHER ASPECTS OF REVERSION LAW, RELATING TO SALE, DISPOSAL OR TRANSFER OF REVERTIBLE ASSETS, UNDER WHICH OIL COMPANIES ARE VULNERABLE TO DEMAGOGIC ATTACK. PAPER-WORK UNDER REVERSION LAW IS SO COMPLICATED AND TIME-CONSUMING THAT MOST COMPANIES HAVE FOUND THEMSELVES IN URGENT OR EMERGENCY SITUATIONS IN WHICH THEY HAD TO MOVE, FOR EXAMPLE, EQUIPMENT FROM ONE OF THEIR CONCESSIONS TO ANOTHER, WITHOUT REQUISITE WRITTEN APPROVAL FROM PETROLEUM REVERSION OFFICE. IN SOME CASES THEY HAVE BEEN ABLE TO GET ORAL APPROVAL. THERE IS THUS POTENTIAL FOR COPEI TO CARRY OUT PUBLIC RELATIONS ATTACK ON OIL COMPANIES' PERFORMANCE UNDER REVERSION LAW, SHOULD THEY BE SO INCLINED. AMOUNT OF DEPOSITS IN GUARANTEE FUND (WHICH COMPANIES ARE SUPPOSED TO RECEIVE BACK ULTIMATELY) IS OBVIOUSLY OF MUCH LESS IMPORTANCE TO OIL COMPANIES THAN A RULING ON VALUE OF ASSETS, WHICH WILL AFFECT TOTAL AMOUNT OF COMPENSATION THEY WILL RECEIVE AT TIME OF NATIONALIZATION.

MCCLINTOCK

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, COMMERCIAL LAW, SUBSIDIARIES, TRADE COMPLAINTS, BUSINESS REPUTATION
Control Number: n/a
Copy: SINGLE
Draft Date: 23 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA04672
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740129-1070
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740524/aaaaaubyb.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2002 by boyleja>; APPROVED <10 JAN 2003 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COPEI DEPUTY ATTACKS OIL COMPANY BEHAVIOR UNDER REVERSION LAW
TAGS: ENRG, VE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005